Mayoral Combined Authority Board

24 January 2022

Budget and Business Plan Development 2022/23

Is the paper exempt from the press and public?	No
Reason why exempt:	Not applicable
Purpose of this report:	Discussion
Is this a Key Decision?	Yes
Has it been included on the Forward Plan?	Yes

Director Approving Submission of the Report:
Gareth Sutton, Chief Finance Officer/s73 Officer

Report Author(s):
Gareth Sutton
Gareth.sutton@southyorkshire-ca.gov.uk

Executive Summary
This report provides an update on the budget and business planning processes for the forthcoming financial year.

The report sets out the assumed level of resource available to the MCA to invest into its priorities and outlines forecast financial risks.

Following engagement with the South Yorkshire Leaders and Mayor, the report recommends approval of the proposal to freeze the transport levy and local subscriptions at current levels and notes the proposal to not set a Mayoral precept.

What does this mean for businesses, people and places in South Yorkshire?
The MCA's financial plan, as manifested through its budget, provides the resource to deliver upon South Yorkshire's aspirations. The developing business plans and accompanying budgets will determine how, where, and to what level the MCA invests in the region in the coming years and will set out how that investment is to be funded.

Recommendations
This report recommends:

1. Approve the South Yorkshire Transport Levy for financial year 2022/23;
2. Approve the proposal to not set a Mayoral Precept for financial year 2022/23;
3. Note the proposal to freeze local authority subscriptions for financial year 2022/23;
4. Note the forecast scale of consolidated Group spending power in the forthcoming year; and,
5. Note the intention to bring the final Group revenue budget and capital programme for approval to the MCA's March meeting.

Consideration by any other Board, Committee, Assurance or Advisory Panel

Mayoral Combined Authority Board	15 November 2021
Mayoral Combined Authority Board	20 September 2021

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1. Background

1.1 This report represents the third iteration of budget development reporting to the Board since the summer, providing an update on the expected resources available to the MCA in the new financial year and the risks identified.

1.2 As noted in previous updates to the Board, the ongoing impact of the pandemic, consequential changes to behaviours and demand for services, and the resultant Governmental response via policy and funding decisions all contribute to a challenging planning environment.

1.3 That environment is largely characterised by the immediacy of financial challenges and risk as the MCA and other bodies continue to react to events, and the longer-term uncertainty that inhibits informed, sustainable planning.

1.4 As planning enters its final stages a number of important issues have been identified that will shape the MCA's financial plan for the new-year and beyond:

1. Persistent concerns around the commercial sustainability of the transport network are likely to crystallise in the new year as government support ends and operators respond by implementing changes to provision;
2. The inflationary environment coupled with supply-chain and labour market pressures will all likely to impact upon the cost of the services and investment the MCA and partners are able to provide in the new-year;
3. Delivery capacity will continue to be strained as new funding streams coalesce with slipped investment from the current year, leading to an in-year capital programme well in excess of that delivered in previous years;
4. The Spending Review did not commit successor funding for previously received EU and Local Growth Fund resource, leaving prominent gaps in funding provision for business support and investment priorities; and,
5. The move towards regulatory changes in the bus environment and the end of the current tram concession in 2024 will lead to material preparatory costs being incurred in the near-term, and the potential for more significant sustained financial risk linked to operational performance in the longer-term.

1.5 Taken together, these issues highlight both the significant opportunities new funding and policy choices create, but also the uncertainty across the full spectrum

of the MCA's operations and the broad scale and scope of challenges in both near and longer term.

1.6 Transitioning from a heavily-subsidised model to a sustainable transport system continues to represent the most immediate and pressing issue. Whilst there are some indications that Government support will extend beyond April 2022 there is, at this stage, little certainty. The MCA's ability to effectively manage a transition without major Governmental support is constrained by both legislative and fiscal restrictions.

1.7 These macro concerns are likely to be exacerbated by the inflationary environment. With the cost of supplies, services, labour, and material all expected to increase significantly in the new financial year the MCA's budgets will come under pressure. This is of particular concern in relation to bus services where the cost of buying back services is likely to be well in excess of current levels.

1.8 Labour market pressures and the costs of goods and services are also likely to impact upon the capital programme. As new funding – such as CRSTS – coalesces with slipped activity it is forecast that the MCA and partners could deliver record levels of investment into the region (c.£428m). Effecting this delivery will be a significant challenge.

1.9 The report notes that whilst the Spending Review provided welcome funding for a number of the MCA's priorities, and commitment has since been made to a number of at-risk grant streams, the lack of successor funding for the Local Growth Fund and the delays to the roll-out of the Shared Prosperity Fund means that there is a shortfall in the funding required to meet the region's business support aspirations.

1.10 The report further recognises the financial implications arising from the potential for regulatory reform in the bus environment and those changes arising from the end of the current tram concession. Exploring the potential for bus franchising will require material resource, whilst the preparations for the end of the tram concession and transition to a new operating model will also require one-off funding. In the longer-term both strands of activity could directly expose the MCA to the financial risk and reward of operational performance – risk from which it is currently shielded.

1.11 This report does, however, recognise that the MCA has options on how it responds to these challenges.

1.12 Notably, the emerging Investment Strategy offers proposals on how to use gainshare resource alongside ways-of-working changes to begin to sustainably address delivery constraints, whilst uncommitted resource when complemented with forthcoming borrowing powers further offers a permissive funding stream to infill around resource committed from Government.

1.13 Since the last reporting date further consideration has also been given to the risks crystallising on the public transport network. Following engagement with the South Yorkshire Directors of Finance Group and the one-to-one briefing sessions with Members this report recommends freezing the South Yorkshire transport levy at existing levels.

1.14 Maintaining the levy at £54.36m will support current investment levels and enable the MCA to implement a risk mitigation package. Detailed revenue and capital forecasts for this activity are provided in the appendices to support consideration of this proposal.

1.15 Similarly, the report notes the current proposal to freeze other local contributions via transport hub and LEP subscriptions at current levels.

1.16 The report further seeks approval for the proposal to not set a Mayoral precept for the new financial year, with the costs of the Mayoral office being met from the recently re-committed Mayoral Capacity Fund grant.

1.17 In the longer-term the report notes structural sustainability concerns around the transport levy, business growth and investment activity, and the costs of the cyclical Mayoral elections. Whilst these issues are manageable in the short-term the report notes the need to pivot towards more sustainable strategies in the new year.

1.18 The business planning process will continue to develop delivery plans and be adjusted as better information is received around funding for the new year. The final Group revenue budgets, capital programmes, and reserve strategies will be presented to Members for approval at the MCA's March meeting.

2. Key Issues

2.1 This section of the report briefly outlines progress in the development of the segmental parts of the MCA Group's business planning and budgets. This summary reporting is supported by detailed appendices.

MCA Group Spending Power

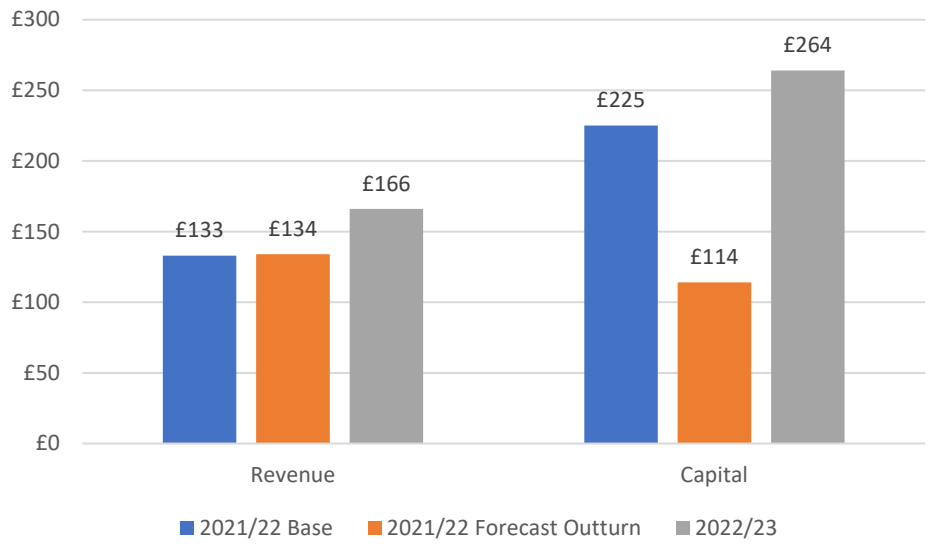
2.2 Spending power reflects the cumulative resource at the disposal of the MCA across the whole Group. It consists of both revenue and capital resource and provides an indicator of the level of investment possible.

2.3 Some of the MCA's spending power is derived from local sources, such as the transport levy, local contributions, and retained business rates. The significant majority of the MCA's resource is, however, derived from government grant. Some of this grant is committed over the longer-term and free from restrictions, whilst other elements are prescribed for certain activity and over certain timeframes.

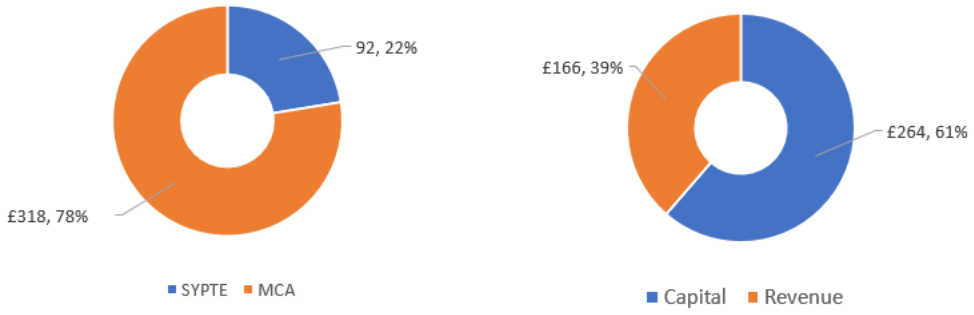
2.4 The Spending Review provided more information over the funding that will be available to the MCA, and since that point certain at-risk grants such as Mayoral Capacity Fund have been re-committed, but at the time of writing there was still a lack of certainty on the specific allocations that would be committed.

2.5 However, based on known commitments and current forecasts, it is estimated that the MCA will have c. £428m of resource at its disposal in financial year 2022/23. This resource consists of funding that will be received in year, and underspends that will be rolled over from the current year. A full list of forecast funding is provided in **Appendix i**.

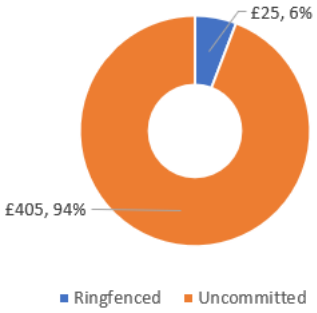
2.6 Funding at this level would represent a 20% increase on the current year's base budget, but a 73% increase on the expected outturn position. This swing reflects the slippage (£110m) in the current year capital programme and underscores the challenge in delivering such a large capital programme:

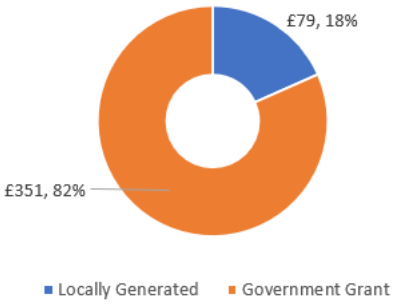


2.7 Of this value, c. £92m (22%) will be available to SYPTE, with c. £318m (78%) being available to the MCA Executive. The majority of the resource available is for capital investment (£264m/61%), with £166m (39%) of revenue resource available.



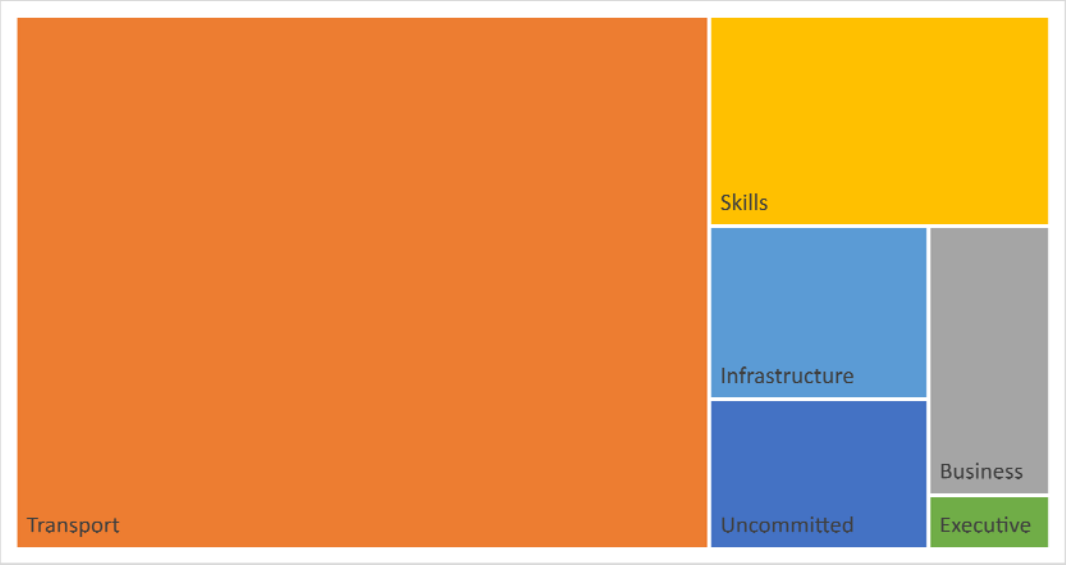
2.8 The funding is overwhelmingly ringfenced (£360m/93%), with only limited amounts (£25m/7%) being flexible. Ringfenced funding refers to that resource which is committed to specific activity by grant conditionality, legislation, or local decisions. As an example, the Adult Education Budget funding is ringfenced by the grant conditionality to the specific activity, the transport levy is ringfenced by legislation to prescribed South Yorkshire transport activity, and elements of the annual gainshare resource have already been committed to certain priorities by past Board decisions.





2.9 The significant majority of government grant is now ringfenced at the point of award, with the notable exception being the gainshare devolution monies. Those ringfences reflect government priorities but will often align to MCA priorities. What is of significance is where ringfences don't match the full array of MCA priorities. Initial work highlights this as being an issue with our Business funding.

2.10 Of forecast grant awards there is a significant weighting of resource to transport, skills, and infrastructure, with a smaller amount of residual LGF available to Business Growth activity. Whilst some year 1, 2, and 3 gainshare resource has been targeted at Business RAP activity and a number of business investments, this means that Business Growth accounts for just c. 7% of current ringfenced activity in the new year:



2.11 The MCA's ability to influence how Government awards funding is limited, and there are further indications from the Spending Review of a retrenchment back towards Departmental funding lines and away from the flexibilities the LGF programme afforded the region.

2.12 The loss of flexibilities will impinge on local discretion on how best to target public resource in the most effective manner. However, the receipt of un-ringfenced gainshare resource and the prospect of borrowing powers for non-transport activity in the new financial year does give the MCA the financial tools to influence the shape of its expenditure in a manner which would not have been possible pre-devolution.

2.13 To date, of the £90m gainshare resource available for the three financial years running 2020/21 – 2022/23, c. £67m has been committed in support of priority activity. The balance of this resource is available for deployment through application of the grant in-year, or via the leverage of that resource for a more expansive borrowing funded programme.

2.14 Subject to local authority consents, it is expected that Government will table legislation in January 2022 for the MCA's non-transport borrowing powers, with the expectation that those powers will be available for exercise in the new financial year.

South Yorkshire Transport Levy 2022/23

2.15 The South Yorkshire transport levy resources the operationalisation of the South Yorkshire Transport Plan. Funding is used to pay for items that the MCA must provide under statute, such as the national concessionary travel scheme; the costs of past financing decisions; the upkeep and maintenance of transport infrastructure such as interchanges and bus stops; local priorities such as discretionary travel and subsidised bus routes; and the operations of the South Yorkshire Passenger Transport Executive (SYPTE).

2.16 Public transport in South Yorkshire is currently operating under significant public subsidy from local and national government. This subsidy has sustained commercial operators and routes following the collapse in fare paying patronage following Covid related restrictions.

2.17 Under current arrangements a sensitive equilibrium has emerged where the local emergency subsidy via SYPTE budgets remains affordable and operators are largely shielded from the inherent financial risk in the operating environment. In turn, this has protected services for key workers and communities, and provides a valuable platform for economic recovery efforts. The key financial challenge in the new year rests on whether this equilibrium can be maintained, and if it cannot how the MCA responds.

2.18 There are four principal variables that will shape this financial challenge:

1. The potential for further Government advisory/regulatory changes over the winter and/or spring that impact on demand;
2. Societal behaviour, particularly around the return to the office and pre-pandemic retail and leisure habits;
3. Inflationary pressures arising from the labour and commodities markets; and,
4. The commitment of government to further support, whether from recovery funding or through BSIP mechanisms

2.19 At the last reporting date bus and tram patronage had rebounded strongly, reaching around 75% of pre-Covid levels on both modes. Since that point, however, the surge in infection levels has impacted driver availability whilst Government advice further dampened passenger demand. These issues provide an indication of the sensitivity of the network to variables largely outside of the control of both operators and the MCA.

2.20 For baseline planning assumptions the MCA now forecasts that:

- Patronage will not exceed 80% of pre-pandemic levels over the course of the financial year.
    - This will leave an overall income shortfall in the network of c. £20-£22m, likely leading to a contraction in the network as operators withdraw unviable services
- Government support will be either reduced or withdrawn, and linked to a tapered reduction in MCA concessionary support
- Patronage reductions will generate material savings to the MCA on the national concessionary travel budget
    - Savings of c. £3m generated based on a tapered withdrawal of support
- Inflationary pressures will be significant
    - Cost of retendering existing bought-back services will be c. £4m-£5m higher than current year budgets
    - Pay and price pressures will exceed £0.50m before budget challenge mitigations

2.21 As the nation responds to the latest Covid variant there is an increasing likelihood that patronage will remain subdued into the new year. Whilst this is likely to encourage operators to implement service reduction plans the disruption may also prompt Government into an extension of the support that is due to end in early April.

2.22 Any continuation in Government support will likely be contingent upon the MCA continuing to pay national concessionary travel scheme payments at pre-Covid levels, or for the MCA to begin to taper down its support payments. The latter scenario currently represents Government guidance issued in Autumn 2021.

2.23 Whilst paying statutory concessionary fares at pre-Covid levels has been affordable to-date, forecast inflationary pressures in the cost of tendered services now means that that approach would require careful consideration.

2.24 In the new financial year all of the MCA's currently bought-back tendered bus services will be up for renewal. These renewals will be tendered under significant inflationary pressures, with limited appetite from operators to bid for services without significant subsidy to offset the inherent patronage risk. Forecasts suggest that the cost increase of buying the existing services alone will be in the region of £4m-£5m.

2.25 This cost inflation on existing bought-back services will exacerbate the financial pressures around requirements to support previously commercially viable services. Accordingly, the MCA and partners will need to carefully consider where its priorities lie, and whether those services that currently benefit from subsidy are still priorities in the event of other services being withdrawn over the course of the year.

2.26 However, should the MCA begin to taper down its national concessionary travel scheme payments per Government guidance savings of c. £3m are forecast to accrue. This saving will accrue as the MCA will gradually revert to paying on actual journeys made rather than a flat pre-pandemic level.

2.27 This saving, along with the earmarked 'Protection of Priority Services' reserve (£7m), and the budgeted 'investment-fund' (£1m) is available to provide a bridge to a more commercially sustainable network but is, alone, insufficient to protect the current level of service in its entirety.

2.28 The costs of making good the forecast income shortfall in the network in its entirety (£20m-£22m) whilst meeting the forecast inflationary pressures (£4m-£5m) are beyond the means of the MCA on a sustainable basis.

2.29 Whilst savings and reserves can provide temporary support, in the longer-term only a return of fare-paying passengers or sustained Government support can sustain the network at its current levels.

2.30 In this context, and following Member engagement, this report proposes that:

1. The transport levy is maintained at current levels (£54.36m);
2. The 'Levy Reduction Reserve' continues to support the budget in line with the reserve strategy (c. £4.4m)
3. The MCA provides concessionary support to transport operators based on the tapered approach requested by Government;
4. Concessionary savings (£3m), the budgeted 'investment-fund' (£1m), and earmarked reserves (£7m) are used to protect priority services where possible; and,
5. The MCA considers with partners how best to deploy the existing tendered services budget (c. £7m) to its latest priorities.

2.31 As in the current year, this approach is inherently a short-term one that seeks to minimise disruption by providing a bridge to a more commercially viable network informed by better information on demand, Government support, and cost.

2.32 Under statute the costs of the levy must be distributed on a per capita basis. Using the latest population estimates provided by the Office for National Statistics, this will result in the levy distributions marginally changing on the prior year:

	Population 2020	2021/22 £k	Share %	Population 2021	2022/23 %	2022/23 £k	Variance £k
Barnsley	246,866	£9,525	17.52%	248,071	17.53%	£9,530	-£5
Doncaster	311,890	£12,034	22.14%	312,785	22.10%	£12,017	£17
Rotherham	265,411	£10,240	18.84%	264,984	18.73%	£10,180	£60
Sheffield	584,853	£22,565	41.51%	589,214	41.64%	£22,637	-£72
	1,409,020	**£54,364**		**1,415,054**		**£54,364**	**£0**

South Yorkshire Transport Levy: Future Year Risk

2.33 In the medium-term the MCA will also need to begin to address known structural sustainability issues centred on two principal points:

1. On-going reliance on the 'Levy Reduction Reserve'; and,
2. Exposure to the operational performance of the tram network following the end of the current concession in 2024

2.34 Inflationary pressures now mean that the pre-pandemic financial strategy of releasing the Levy Reduction Reserve in line with the falling capital financing

budget is becoming unsustainable. Simply, the reserve will be exhausted with the budget still running deficits by financial year 2026/27.

2.35 To meet this pressure the MCA will need to consider its post-pandemic cost-base and the requirement for levy increases. If longer-term trends in patronage decline are not arrested, and concessionary savings are not reinvested into services, there may be the potential to offset the need for levy increases for a time. However, in the longer-term a return to incremental increases in the levy is likely to be required to reduce reliance on reserves and meet unavoidable inflationary pressures.

2.36 Of significant note in the medium to long-term planning for the MCA is the end of the current tram concession in 2024 and the growing inevitability that the MCA will not be able to re-let a concession that shields it from the operational performance of the tram system in the manner that it currently is.

2.37 Previous forecasts have noted a budget provision required from 2024 of £1m p/a, representing the operating deficit ran by the tram prior to the pandemic. Given inflationary pressures and likely disruption from CRSTS capital investment over the period, the forecasts accompanying this report have increased this requirement to £1.5m p/a.

2.38 The potential for this sum to be insufficient if patronage does not recover to pre-pandemic levels and investment disruption further drives patronage off the network is significant.

2.39 As part of the investment planning for CRSTS and the wider tram concession project, consideration is being given to both how best to avoid disrupting provision whilst making best use of both the capital and revenue funding to provide a financial buffer against this risk. Resource is made available to support this activity in the new year from the 'Tram Project Reserve'.

MCA/LEP Activity

Corporate Resource and Pressures

2.40 The MCA's non-transport activity is funded by a shifting array of time-limited, conditional funding streams and a relatively small amount of resource generated from un-ringfenced grant, local contributions and commercial income (£5m).

2.41 Since the last reporting-date the £1m Mayoral Capacity Fund grant which resources the Mayoral Office was re-committed, but significant uncertainty across other income streams remained:

- The £500k LEP capacity funding that resources much of the MCA's core costs is at risk and tied to the national review of LEPs being undertaken by Government;
- Enterprise Zone income (£2m) remains volatile; and,
- Commercial income streams related to property trading surpluses, income from loans to business, and income generated from cash held on deposit remain disrupted and depressed.

2.42 Concerns now principally centre on the loss of LEP funding and the net financial performance of the MCA's property portfolio, particularly at the Advanced Manufacturing Park Technology Centre (AMPTC). The final business plan for the

AMPTC is currently being prepared by the managing agents, but it is likely that cost inflation and lower demand for office accommodation will impact upon the net profit generated from the site. That, coupled with the potential loss of LEP funding, would have a disproportionate impact upon the MCA's financial strength as those income streams reflect some of the limited un-ringfenced funding available to the MCA.

2.43 Disruption to core income streams may be exacerbated by the loss of capital funding streams from 2022 onwards that have previously been recharged into. With the loss of the Local Growth Fund money and Getting Building Fund resource, some core services which received contributions from programme recharges will now need to flip to new funded programmes – such as CRSTS - or be flexed down to meet a new budgetary envelope.

2.44 The MCA expects to receive confirmation of its CRSTS envelope in Quarter 4 of the current year, so budgets may need to be developed at-risk.

2.45 Organisational pressures are likely to arise from pay and price inflation. At this stage there is still uncertainty on whether the Government will reimburse MCA's for employer NI contributions, whilst indexed linked contracts, pay awards, and new commissions into market are all likely to be in excess of forecast. Initial forecasts suggest that pay inflation alone will add c.£200k.

2.46 Given pressures in this area this report recommends a freezing of LEP (£0.18m) and transport hub (£1m) local contributions at their current levels. On this basis, local contributions would be distributed as follows:

	LEP £k	Transport Hub £k	Total £k
Barnsley	£32	£174	£206
Doncaster	£41	£223	£264
Rotherham	£35	£191	£226
Sheffield	£76	£412	£488
	£184	**£1,000**	**£1,184**

2.47 In the new year the MCA will also begin to release the Project Feasibility Fund in support of the region's ability to originate and develop quality investment opportunities without recourse to available government funding streams. This Fund – totalling £3.6m – will be designed to operate on a sustainable basis, with funding being recycled where possible. Deployment of this resource offers an opportunity to begin to address some of the systemic issues that impact upon the quality of funding bids and pace of delivery.

2.48 In 2022/23 the MCA will be obliged to meet the costs of the Mayoral election. These costs are forecast at c. £2.25m and include resource for costs incurred by each local authority, the MCA's costs, and the costs of publicising the election. These costs are not funded from Government and fall to be funded from local resource.

2.49 The costs of the election in the new year will be resourced from the 'Mayoral Election Reserve' this reserve has been accumulated over a number of years from windfall income and fortuitous underspends.

2.50 For medium-term planning purposes it will be incumbent on the MCA to adopt a more sustainable approach to meeting this cyclical liability. Whilst underspend and income surpluses can contribute to meeting this liability should they arise it is prudent to assume that the MCA will require an annual provision of c. £0.55m to build up a reserve each year.

Business Growth and Recovery Resource and Pressures

2.51 This area continues to be funded from a number of capital and revenue grant funding streams that are not sustained into the future. How to fund Business Growth activity into the medium-term remains a significant planning issue.

2.52 Activity in 2022/23 will now include slipped gainshare funded activity associated with the Renewal Action Plan. This activity is defined by the funding envelope initially provided (£6.91m) and cannot be sustained into the future without further funding being released.

2.53 Significant support to the local economy through the South Yorkshire Business Support Scheme will conclude in the current year, with all Additional Restrictions Grant funding awarded to-date to be used by March 2022. Whilst further funding has been announced to support those sectors impacted by the latest variant it is expected that there will be a requirement to disburse that funding before the year-end.

2.54 Made Smarter grant funded activity is also now likely to slip into the new financial year (£0.89m). This activity is a pilot scheme with no commitment beyond the existing allocation.

2.55 The Business Growth area may also see activity slip into the new year relating to capital business investments supported from the residual LGF funding held by the MCA, whilst the MCA has also now committed £7m of gainshare capital from its 2022/23 allocation to part resource a number of investments.

2.56 Business support activity has to-date been supported by Growth Hub grant provided by Government (£0.41m). As in previous years, this grant is committed on a rolling annual basis. At the time of writing there remained no certainty on whether this funding would be recommitted.

2.57 Activity across the thematic area is also supported by reserves. At outturn the MCA expects to have c. £2m in reserves earmarked to this area. This reserve was created from the initial £4m Growth Fund revenue allocation and has been drawn on and replenished since 2015. This reserve will sustain services for a number of years but will eventually be exhausted without – as yet - a successor funding stream being identified.

2.58 Finally, the Spending Review now suggests that the Shared Prosperity Fund – that may have provided funding for business activity – is still some way off, with funding unlikely to be received in the new year.

Housing and Infrastructure Resource and Pressures

2.59 Financial activity within this thematic area is dominated by capital investment funded from the Getting Building Fund, Brownfield Housing funding, and gainshare.

2.60 Whilst it is anticipated that the Getting Building Fund programme will hit requirements to defray all final year funding within the current financial year, budget reports throughout the year have noted significant slippage of Brownfield activity into the forthcoming year. At this stage it is expected that c. £17m of activity will slip into the new year.

2.61 The MCA has engaged government on this slippage, noting the requirement to have defrayed £20m by March 2022. There is a latent risk that underperformance against the target may impact upon the MCA receiving the full balance of £20m of funding.

2.62 The Budget Revision 3 report also notes that the gainshare funded 'Place' and flooding investments are now also likely to largely fall into the new financial year. This investment totals £26.9m in aggregate.

2.63 Outside of the MCA's direct purview, resource also continues to be deployed through the JESSICA investment fund. This fund is now largely allocated, and whilst loans granted may be returned to the fund into the future there is no successor funding source available.

2.64 Revenue funding for this thematic area is in short supply, largely centred on core funding for teams and the Brownfield revenue accelerator funding. This latter funding is now deployed in full, with expenditure expected be incurred into the next financial year.

Skills, Education & Employment Resources and Pressures

2.65 Financial activity in this area is centred on the Adult Education Budget, supplemented by gainshare funding for the apprenticeship and KickStart South Yorkshire proposals. This activity is supplemented in-year with the interim Skills Bank programme and the Working Win health led trial.

2.66 The Adult Education Budget represents sustainable funding that will continue indefinitely as part of the region's devolution deal. However, sustainability concerns are an issue for the other principal spheres of activity: gainshare funded activity is defined by the previously agreed envelope (£7.2m); the Skills Bank programme is funded from reserves (£7m); and the Working Win programme is funded from a discrete grant from Government.

2.67 The majority of gainshare funded activity is now likely to slip into the new financial year, whilst the Skills Bank successor programme will also be funded from reserve in the new year. At this stage there is no commitment from government to a continuation of the Working Win programme.

2.68 At the time of writing there was little clarity on how the £3.8bn of additional funding announced through the Spending Review for skills and learning would be distributed.

Strategic Transport Resources and Pressures

2.69 The non-LTA transport functions of the MCA will likely see a significant capital programme in the new financial year.

2.70 Slippage from the existing Transforming Cities and Active Travel programmes will be met by the first year of the City Region Sustainable Transport Settlement programme, which may stand at over £100m in 2022/23. Of this value, the majority of the CRSTS funding will relate to the final year of the TCF programme and the highways maintenance grants previously received.

2.71 Whilst the MCA has received a notional allocation of £570m from the CRSTS fund it will not know its final allocation until business cases have been submitted and reviewed by Government in Quarter 4.

2.72 Grant funded activity is supplemented with gainshare bus investment from the £3.17m funding made available for shelter upgrades and the electrification of parts of the community transport fleet.

2.73 Funding will continue to be defrayed on the Parkway Widening scheme, funded from the Department for Transport Majors grant. This scheme alone will add c. £17m to the in-year capital programme.

2.74 The MCA will also have £12m of Growth Deal transport capital funding available to it, along with £5m of revenue funding made available to support preparations for the Bus Service Improvement Plan (BSIP) and sustainable planning and readiness activity for the current and future years CRSTS programmes.

2.75 The MCA also expects to receive notification of any possible Bus Service Improvement Plan (BSIP) award in January 2022. Whilst the MCA submitted an aspirational bid for this funding, the total quantum of resource now available nationally is likely to mean that any award will fall well short of the ask.

3. Options Considered and Recommended Proposal

3.1 **Option 1**
This report recommends that Members approve the transport levy, Mayoral precept, and local contributions.

3.2 **Option 1 Risks and Mitigations**
Approving the levy and local contribution proposals offers the MCA the opportunity to develop budgets appropriate to the level of demand and identified risks and detailed in the report.

3.3 **Option 2**
The Board could choose to reject any or all of the recommendations in the report, in particular requesting a lower transport levy.

3.4 **Option 2 Risks and Mitigations**
Adopting a lower transport levy would impinge upon the MCA's ability to deliver the required level of service whilst managing the risks identified. Should a lower transport levy be requested the MCA would be required to pare back its investment budgets and/or draw on reserves to a greater than forecast level. Drawing on reserves in this manner would be unsustainable and exacerbate existing sustainability concerns.

3.5 **Option 3**
The Board could choose to reject any or all of the recommendations in the report, in particular requesting a higher transport levy

3.6 **Option 3 Risks and Mitigations**
Adopting a higher transport levy would require larger contributions from each of the South Yorkshire local authorities. A higher transport levy would provide the MCA with greater financial resilience to manage in-year pressures, but that levy would need to be sustained into the future to support longer-term planning.

3.7 **Recommended Option**
Option 1

4. Consultation on Proposal

4.1 A number of engagement sessions have been undertaken with the MCA Members and Mayor in reaching these recommendations.

5. Timetable and Accountability for Implementing this Decision

5.1 Approval of the recommendations in this report will support final budget development ahead of reporting to the Board in March.

6. Financial and Procurement Implications and Advice

6.1 This is a financial report, the details of which are covered in the main body of the document.

7. Legal Implications and Advice

7.1 The MCA is legally required to approve a transport levy and Mayoral precept by February 2022.

8. Human Resources Implications and Advice

8.1 None.

9. Equality and Diversity Implications and Advice

9.1 None.

10. Climate Change Implications and Advice

10.1 None.

11. Information and Communication Technology Implications and Advice

11.1 None.

12. Communications and Marketing Implications and Advice

12.1 None.

List of Appendices Included

A Appendix i: Forecast Resource
B Appendix ii: SYPTE Revenue Budget Forecasts

Background Papers

None.